

**REPORT OF THE AUDIT OF THE
MARTIN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2006**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MARTIN COUNTY SHERIFF

**For The Year Ended
December 31, 2006**

The Auditor of Public Accounts has completed the Martin County Sheriff's audit for the year ended December 31, 2006. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$2,763 from the prior year, resulting in excess fees of \$6,420 as of December 31, 2006. Revenues increased by \$6,100 from the prior year and expenditures increased by \$3,337.

Report Comments:

- 2006-1 The Sheriff Had A \$3,126 Deficit in His 2006 Fee Account Resulting From Disallowed Expenditures
- 2006-2 The Sheriff Did Not Provide Adequate Oversight Of Fuel Credit Card Purchases
- 2006-3 The Sheriff Did Not Maintain Complete And Accurate Financial Reports And Did Not Prepare An Accurate And Complete Financial Statement
- 2006-4 The Sheriff Did Not Maintain Adequate Timesheets For All Employees
- 2006-5 The Sheriff Did Not Reimburse His 2005 Official Bank Account \$381 For Disallowed Expenditures For Credit Card Charges
- 2006-6 The Sheriff Did Not Request Salary Reimbursements From Unlawful Narcotics Investigations Treatment and Education (UNITE) Grant In A Timely Manner
- 2006-7 Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kelly Callaham, Martin County Judge/Executive
The Honorable Garmon Preece, Martin County Sheriff
Members of the Martin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Martin County, Kentucky, for the year ended December 31, 2006. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2006, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2008 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Kelly Callaham, Martin County Judge/Executive
The Honorable Garmon Preece, Martin County Sheriff
Members of the Martin County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2006-1 The Sheriff Had A \$3,126 Deficit In His 2006 Fee Account Resulting From Disallowed Expenditures
- 2006-2 The Sheriff Did Not Provide Adequate Oversight Of Fuel Credit Card Purchases
- 2006-3 The Sheriff Did Not Maintain Complete And Accurate Financial Reports And Did Not Prepare An Accurate And Complete Financial Statement
- 2006-4 The Sheriff Did Not Maintain Adequate Timesheets For All Employees
- 2006-5 The Sheriff Did Not Reimburse His 2005 Official Bank Account \$381 For Disallowed Expenditures For Credit Card Charges
- 2006-6 The Sheriff Did Not Request Salary Reimbursements From Unlawful Narcotics Investigations Treatment And Education (UNITE) Grant In A Timely Manner
- 2006-7 Sheriff's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Martin County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

January 24, 2008

MARTIN COUNTY
GARMON PREECE, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

Federal Grants		
Unlawful Narcotics Investigations Treatment And Education	\$	19,211
State Grants		
Kentucky Law Enforcement Foundation Program Fund		11,002
State Fees For Services:		
Finance and Administration Cabinet	\$	5,115
Sheriff Security Services		4,564
Cabinet For Health And Family Services		4,257
		13,936
Circuit Court Clerk:		
Fines and Fees Collected		5,296
Fiscal Court		93,752
County Clerk - Delinquent Taxes		3,098
Commission on Taxes Collected		169,092
Fees Collected For Services:		
Auto Inspections	5,505	
Accident and Police Reports	1,648	
Serving Papers	11,895	
Carrying Concealed Deadly Weapon Permits	3,415	
Sheriff 10% Add-on Fees	7,195	
Sheriff Fees From Tax Collections	4,590	34,248
Other:		
Miscellaneous		1,861
Interest Earned		680
Total Revenues		352,176

The accompanying notes are an integral part of this financial statement.

MARTIN COUNTY
 GARMON PREECE, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 107,746
Part-Time Salaries	13,066
Other Salaries	45,500

Contracted Services-

Dependable Data	1,427
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Materials and Supplies-

Office Materials and Supplies	7,253
Uniforms	4,759
Deputy Supplies	13,360

Auto Expense-

Gasoline	31,513
Gasoline Purchases Due 05 Fee	1,154
Maintenance and Repairs	24,524

Other Charges-

Conventions and Travel	1,664
Unpaid Travel for Picking up Prisoners	121
Dues	1,185
Postage	2,785
Bond	8,654
Carrying Concealed Deadly Weapon Permits	1,655
Training	996
K-9 Unit	6,139
Unpaid K-9 Training	1,030
Advertising	460
Miscellaneous	1,248

Total Expenditures

276,239

The accompanying notes are an integral part of this financial statement.

MARTIN COUNTY
 GARMON PREECE, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Less: Disallowed Expenditures		
T-Shirts Donated To High School	295	
Year Book Advertisements	165	
Children's Badges	604	
"Say No To Drugs" Balloons and Lollipops	1,047	
Finance Charges And Late Fees	474	
Sheriff's Conference Fees For Spouses	130	
Expenditures With No Supporting Documentation	411	3,126
		<hr/>
Total Allowable Expenditures		\$ 273,113
		<hr/>
Net Revenues		\$ 79,063
Less: Sheriff Statutory Maximum		69,341
		<hr/>
Excess Fees		9,722
Less: Training Incentive Benefit		3,302
		<hr/>
Balance Due Fiscal Court at Completion of Audit		\$ 6,420
		<hr/>

The accompanying notes are an integral part of this financial statement.

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2006

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent for the first six months and 28.21 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 4. Unlawful Narcotics Investigations Treatment and Education (UNITE) Grant

The Martin County Sheriff entered into an interlocal cooperation grant agreement with the Unlawful Narcotics Investigations Treatment and Education (UNITE) Grant program. This grant is to help law enforcement combat illegal drug use through a comprehensive campaign of investigation, treatment and education. During the year, the sheriff received \$19,211 for payroll reimbursement from the UNITE Grant for 2006.

Note 5. Drug Forfeiture Account

In 2006, the Martin County Sheriff received \$4,835 in seized property from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These funds are to be used for law enforcement activities. The sheriff received \$4,835 in seized property and distributed \$870 to the Inez City Police Department leaving a cash balance of \$3,965 as of December 31, 2006.

MARTIN COUNTY
GARMON PREECE, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2006

Assets

Cash in Bank	\$ 36,131
Deposits in Transit	600
Receivables Collected After Year End	<u>160,970</u>
Total Assets	<u>197,701</u>

Liabilities

Paid Obligations:

Outstanding Checks	\$ 41,275	
Paid Liabilities	<u>146,959</u>	
		188,234
Total Paid Obligations		

Liabilities

Unpaid Obligations:

K-9 Expenses	1,030	
Gasoline Purchases Due 05 Fee	1,154	
Unpaid Travel For Picking Up Prisoners	121	
Additional Salary Due Sheriff	3,868	
Excess Fees Due County	<u>6,420</u>	
Total Unpaid Obligations		<u>12,593</u>
Total Liabilities		<u>200,827</u>
Total Fund Deficit as of December 31, 2006		<u><u>\$ (3,126)</u></u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kelly Callaham, Martin County Judge/Executive
The Honorable Garmon Preece, Martin County Sheriff
Members of the Martin County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Martin County Sheriff for the year ended December 31, 2006, and have issued our report thereon dated January 24, 2008. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Martin County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Martin County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Martin County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comments and recommendations to be a significant deficiency in internal control over financial reporting. 2006-7.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Martin County Sheriff's financial statement for the year ended December 31, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations: 2006-1, 2006-2, 2006-3, 2006-4, 2006-5 and 2006-6.

The Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Martin County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

January 24, 2008

COMMENTS AND RECOMMENDATIONS

MARTIN COUNTY
GARMON PREECE, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2006

INTERNAL CONTROL - REPORTABLE CONDITIONS:

2006-1 The Sheriff Had A \$3,126 Deficit in His 2006 Fee Account Resulting From Disallowed Expenditures

The Sheriff had a deficit of \$3,126 as of December 31, 2006 due to disallowed expenditures paid from his 2006 official bank account. Disbursements of a Sheriff must be necessary, reasonable, and beneficial to the public, not predominantly personal in nature, and supported by adequate documentation. The expenditures disallowed for not being reasonable, necessary expenditures of the office include:

- \$1,047 in anti-drug education materials not purchased with DARE funds
- \$ 474 late fees, finance charges and penalties
- \$ 604 in children's badges
- \$ 295 tee shirts
- \$ 165 advertisements placed in high school year book
- \$ 130 conference fees paid for spouses

Anti-drug education materials are allowable if the Sheriff had used Drug Awareness and Resistance Education (DARE) funds to purchase these items. According to the Sheriff, the tee shirts were donated to the high to be resold at a school fundraiser.

In addition there were \$411 in expenditures with no supporting documentation where we could not determine if the payments made were reasonable and necessary expenditures of the office. We recommend the Sheriff only expend fee account monies for allowable purposes and have the proper supporting documentation for each payment. Also, the Sheriff should deposit personal funds of \$3,126 to reimburse the official account for these disallowed expenditures.

Sheriff's Response:

Based on information received from seminars sponsored by the Kentucky Sheriff's Association, they explained that anti-drug materials without my name on them are allowable expenditures. Money for these expenditures were budgeted and approved by Fiscal Court.

Auditor's Reply: Anti-Drug education materials are not necessary expenditures of the Sheriff's office. The sheriff did not have a D.A.R.E account or drug forfeiture account at the time the Anti-Drug education materials were purchased.

MARTIN COUNTY
GARMON PREECE, SHERIFF
COMMENTS AND RECOMMENDATIONS (Continued)
For The Year Ended December 31, 2006

2006-2 The Sheriff Did Not Provide Adequate Oversight Of Fuel Credit Card Purchases

The Sheriff did not provide adequate oversight of \$31,513 of fuel credit card purchases and we could not determine if all of the fuel purchased was appropriately used.

The Sheriff has ten fuel credit cards. They are either maintained in the Sheriff's vehicle or with a Sheriff's employee. A personal identification number (PIN) and odometer reading are required each time the card is used. Each PIN number has a maximum monthly usage allowance and each deputy was assigned a PIN number. When the monthly credit card statement is received, there is a breakdown by PIN number to show the date of purchase, gallons of fuel purchased and odometer reading at the time of purchase.

The Sheriff prior to payment did not review the credit card statements nor were vendor receipts maintained or reconciled to amounts on the monthly billing statement. According to the Sheriff, when a PIN number reached the maximum usage amount, deputies would share PIN numbers to continue making fuel purchases. In addition, 3 deputies used the same odometer reading such as "123456" every time the card was used. Additionally the bookkeeper who is the Sheriff's daughter used a fuel card to purchase fuel for her own personal vehicle as well as other vehicles belonging to the Sheriff's office.

By not reviewing and maintaining proper oversight of these credit cards, the Sheriff did not ensure the accuracy of what was billed and the reasonableness of what was charged by each deputy. The cards and PIN numbers were not adequately protected to ensure they were appropriately used in only an official capacity.

We recommend the Sheriff immediately implement steps to adequately safeguard the cards and PIN numbers in use. The sharing of PIN numbers should be strictly prohibited. Each deputy should be held accountable to maintain the original vendors receipt and should ensure actual odometer readings are used at the time of purchase. In addition, each vendor receipt should be maintained and reconciled to the monthly billing statement prior to payment. Lastly, the Sheriff should ensure the fuel credit cards are used to purchase fuel for official vehicles only, and anytime official travel is done in a personal vehicle a request for mileage reimbursement should be completed naming the specific date, time and purpose of the travel.

Sheriff's Response:

I have no knowledge of use of a fuel card to purchase fuel for their personal vehicle by anyone. I have implemented use of a vehicle log to better track/document fuel use for each vehicle.

MARTIN COUNTY
GARMON PREECE, SHERIFF
COMMENTS AND RECOMMENDATIONS (Continued)
For The Year Ended December 31, 2006

2006-3 The Sheriff Did Not Maintain Complete And Accurate Financial Reports And Did Not Prepare An Accurate And Complete Financial Statement

The Sheriff's office did not properly maintain receipts and disbursements ledgers nor were they reconciled monthly to the bank records. Receipts were misstated by \$27,285 and disbursements were misstated by \$6,245 on the fourth quarter report submitted to the Governor's Office for Local Development. The office check register was used to determine available cash. Accurate ledgers should be maintained in order to determine the availability of funds within the office because there may be outstanding items that have not cleared the bank. In addition, monthly bank reconciliations should be timely completed to ensure the receipts and disbursements ledgers reconcile to the bank. By not maintaining accurate ledgers and completing monthly bank reconciliations errors could occur and go undetected resulting in incorrect ending cash balance information being used. We recommend the Sheriff ensure all financial transactions be promptly posted to the ledgers and bank reconciliations be completed monthly.

Sheriff's Response: We will take steps to remedy the situation.

2006-4 The Sheriff Did Not Maintain Adequate Timesheets For All Employees

The Sheriff's office employees did not properly maintain timesheets. The timesheets were not maintained daily and the reports were not maintained in an organized manner. The Sheriff provided timesheets; however, employees did not sign all timesheets and the Sheriff did not approve all timesheets. KRS 337.320 states that every employer shall keep record of the hours worked each day and each week by each employee. Timesheets should be kept for payroll verification and as a record of leave time used. The employee and the appropriate supervisor should review and sign all timesheets. We recommend the Sheriff maintain timesheets for all employees, require that employees sign and date their timesheets, and ensure that all timesheets are reviewed and approved by the Sheriff or his appointee.

Sheriff's Response: We are keeping the timesheets in order.

2006-5 The Sheriff Did Not Reimburse His 2005 Official Bank Account \$381 For Disallowed Expenditures For Credit Card Charges

In calendar year 2005, \$381 of credit card charges were disallowed for the lack of supporting documentation. The sheriff was directed to deposit personal funds to reimburse the 2005 fee account for these disallowed expenditures. As of January 24, 2008, the sheriff had not reimbursed the 2005 fee account for these disallowed expenditures. We recommend the sheriff deposit personal funds of \$381 in his 2005 fee account for disallowed expenditures.

Sheriff's Response: Paid with money order.

Auditor's Reply: We will follow up on this during 2007 fee audit.

MARTIN COUNTY
GARMON PREECE, SHERIFF
COMMENTS AND RECOMMENDATIONS (Continued)
For The Year Ended December 31, 2006

2006-6 The Sheriff Did Not Request Salary Reimbursements From Unlawful Narcotics
Investigations Treatment and Education (UNITE) Grant In A Timely Manner

The Sheriff did not request reimbursement for payroll for the Unlawful Narcotics Investigations Treatment and Education (UNITE) officer on a timely basis. The Sheriff received a UNITE grant, which allowed the Sheriff to hire a deputy to investigate illegal drug use in Martin County, and the grant would then reimburse the Sheriff for the deputy's salary and insurance premiums. This deputy started July 1, 2006, and he continued to work throughout 2006. The Sheriff did not request reimbursement for the deputy's payroll from the grantor for July-September 2006 until November 2006 and this was not received until December 14, 2006. October-December 2006 payroll reimbursement request was not submitted until June 2007 and not subsequently received until July 5, 2007. By not receiving these reimbursements timely the Sheriff is not availing the public of the benefit of the grant. He is tying up public funds for much longer than necessary. The Sheriff should have submitted reimbursement for payroll on a bi-weekly basis or at minimum a monthly basis in order to reimburse the official bank account in the proper year. We recommend the Sheriff request reimbursement on a timely basis.

Sheriff's Response: We will correct in the future.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2006-7 Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of proper segregation of duties due to the fact that the bookkeeper posts all items to the receipts and disbursements ledger, prepares and signs all checks, prepares monthly bank reconciliations and the financial statements. Good internal controls dictate that the same employee should not handle, record, and process financial information. The Sheriff should either segregate these duties or strengthen internal controls by routinely reviewing daily checkout procedures for accuracy, performing bank reconciliations and ensuring that information agrees to the financial statements.

Sheriff's Response: We will work on strengthening internal controls.

